HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Regina CMA

CANADA MORTGAGE AND HOUSING CORPORATION

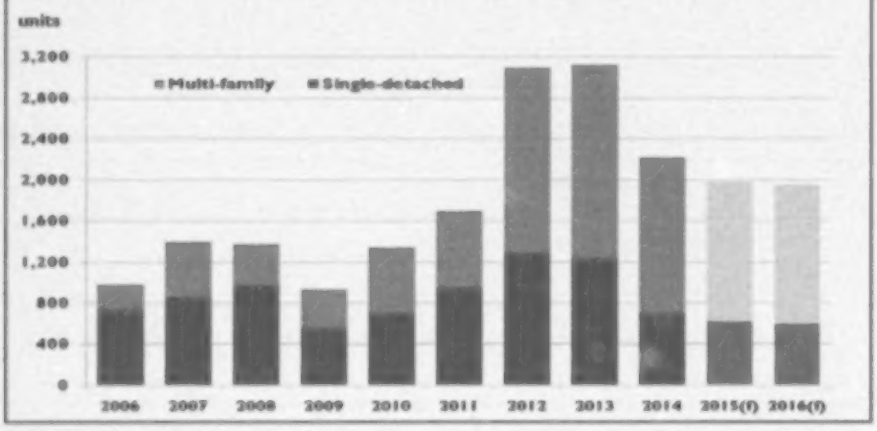
Date Released: Spring 2015

Highlights[1]

- Elevated inventory and weaker economic conditions will constrain housing starts through 2016
- MLS®[2] sales in Regina will move lower in 2015 and rise slightly in 2016
- Regina's average MLS® price will decline in 2015 due to persistent buyer's market conditions
- A slower pace of employment growth will moderate net migration to Regina through 2016

Figure 1

Total housing starts in the Regina CMA to moderate through 2016



Source: CMHC, CMHC Forecast (f)

[1] The outlook is subject to uncertainty. Although point forecasts are presented in the publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of April 20, 2015.

[2] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

Table of Contents

1 Highlights

2 New Home Market: Rising inventory and moderating fundamentals will constrain starts through 2016

3 Existing Home Market: MLS® sales to decline in 2015, increase slightly in 2016

3 Rental market: Slower employment growth and higher supply will lift apartment vacancies

4 Economic Trends: Moderate pace of job growth expected through 2016

6 Trends at a Glance

7 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Canada

Housing market intelligence you can count on

CMHC SCHL
HOME TO CANADIANS

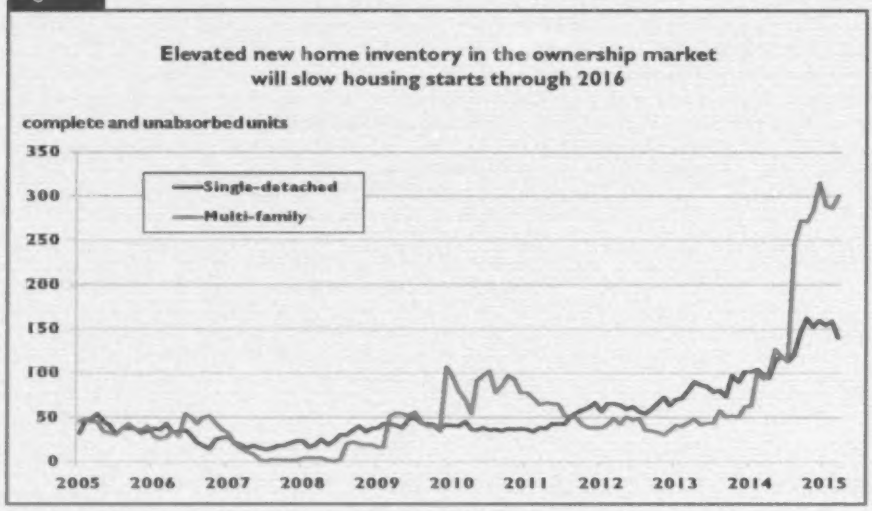
New Home Market: Rising inventory and moderating fundamentals will constrain starts through 2016

After a sharp reduction in 2014, total housing starts in the Regina Census Metropolitan Area (CMA) are forecast to decline further to 1,975 units in 2015. Lower oil prices and declining government revenues will have a dampening effect on investment and hiring, thus contributing to slower employment growth and lower net migration. With these key drivers less supportive of housing demand and new home inventory at an all-time high, local home builders will first seek to meet new demand from their unsold units, which will moderate housing starts in Regina this year. Barring any significant drawdown on inventory, a modest reduction to 1,945 units is projected for 2016.

Following a 43 per cent year-over-year reduction last year, single-detached starts are forecast to edge lower to 625 units in 2015, significantly below the five-year average of 982 units. Elevated new home inventory and an increasing supply of existing homes will prompt a slower pace of single-detached starts this year, as will moderating employment growth and lower net migration. With economic conditions expected to remain soft next year, a slight reduction to 600 units is forecast for 2016.

The pace of single-detached construction slowed in the first quarter of 2015, with starts down 51 per cent to 81 units from 165 in the first quarter of 2014. The anticipated reduction in starts this year is expected to reduce single-detached inventory which, at 140 units in the first quarter, was still 43 per cent higher than in the previous year.

Figure 2



Source: CMHC

With builders managing inventory by reducing construction volumes this year, there will be less pressure on input costs such as materials and labour, while land costs will maintain their leading role in overall price growth as measured by Statistics Canada's New Housing Price Index (NHPI). Moving forward, growth in Regina's NHPI is forecast to average 0.5 per cent in 2015 and 0.9 per cent in 2016. Given persistent buyer's market conditions in the resale market and moderating economic fundamentals, the average absorbed price for a new single-detached house in Regina is projected to decline 1.0 per cent to $509,000 this year, before edging up to $514,000 next year.

Multi-family starts, including semi-detached, row, and apartment units, are forecast to decline for a second consecutive year to 1,350 units in 2015 and remain near this level at 1,345 units in 2016. Rising inventory, higher rental vacancies, and moderating economic fundamentals will prompt local builders to initiate fewer multi-family projects over the forecast period.

During the first quarter of 2015, multi-family starts were down 11 per cent year-over-year to 183 units. Both semi-detached and row starts declined over this period. In contrast, builders initiated a total of 157 apartments in the first quarter of 2015, 38 per cent more than in the previous year. The majority of these units were intended for the rental market. Despite a consistent decline in overall construction volumes, inventory of multi-family units in the ownership market has risen considerably over the past several months as absorptions have significantly lagged completions. At 301 units in March 2015, the inventory of multi-family units in Regina's ownership market was over three times higher than the 94 units recorded in March 2014. Moving forward, builders will seek to channel new demand to their inventory before embarking on new construction. This will moderate the pace of multi-family starts throughout the forecast period.

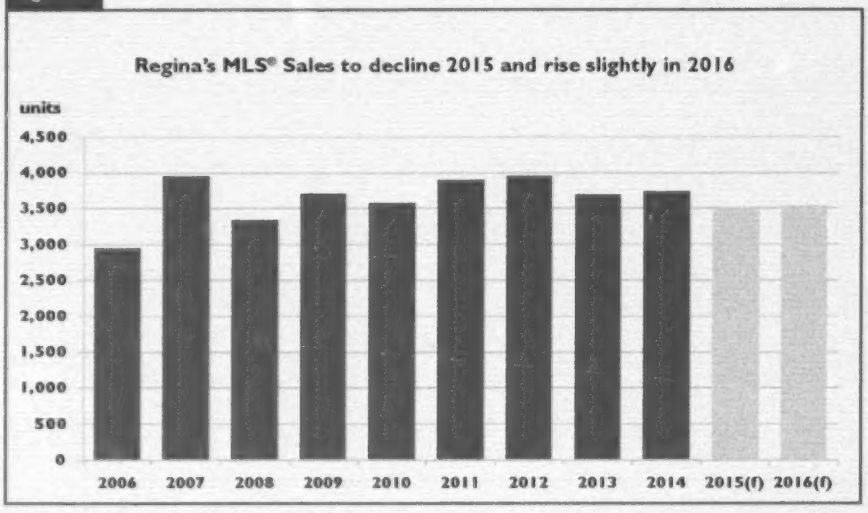
Existing Home Market: MLS® sales to decline in 2015, increase slightly in 2016

Regina's MLS® sales are forecast to move lower in 2015, as downside risks posed by lower oil prices impact economic fundamentals and moderate resale demand. A total of 3,500 MLS® transactions are projected for this year, a decrease of 6.2 per cent from 2014. In 2016, sales of existing homes in Regina are forecast to remain relative stable at 3,535 units.

Sales in the first quarter of 2015 were down more than three per cent to 640 units compared to the same period a year earlier. This also represented the lowest first quarter total since 2006. On the supply side, active listings moved up 19 per cent during the first quarter of this year compared to the previous year. As a result, the sales-to-active listing ratio shifted lower to a quarterly average of 11.6 per cent from 14.3 per cent in the first quarter of 2014. Moving forward, we expect resale supply to remain elevated over the next several months while demand falls, which will further entrench buyer's market conditions in most areas of the Regina CMA.

Under these conditions, the average MLS® price in Regina is forecast to decline to $304,000 in 2015 from $314,899 in 2014, before rising modestly to $307,000 in 2016. During the first quarter of 2015, the average MLS® price was down 6.8 per cent, year-over-year, to $299,725. On a seasonally-adjusted basis, the average resale price also declined in the first quarter of 2015 from the fourth quarter of 2014.

Figure 3

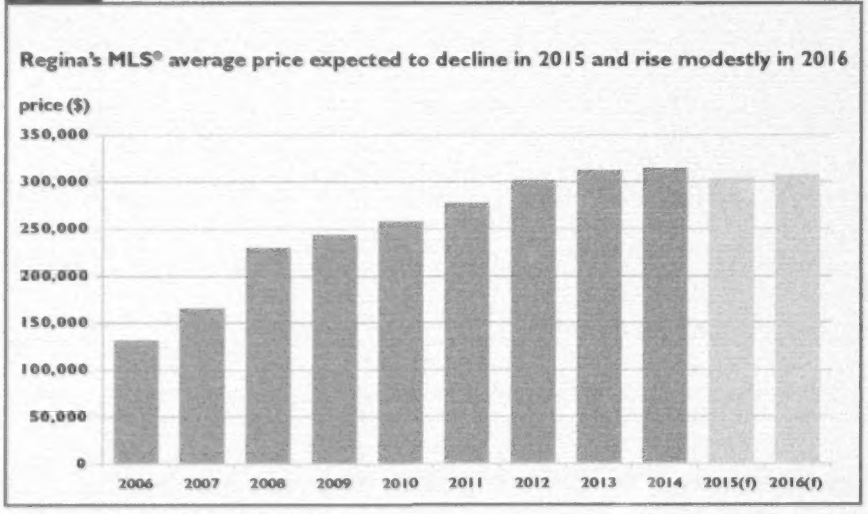


Source: CREA, CMHC Forecast (f)

Rental market: Slower employment growth and higher supply will lift apartment vacancies

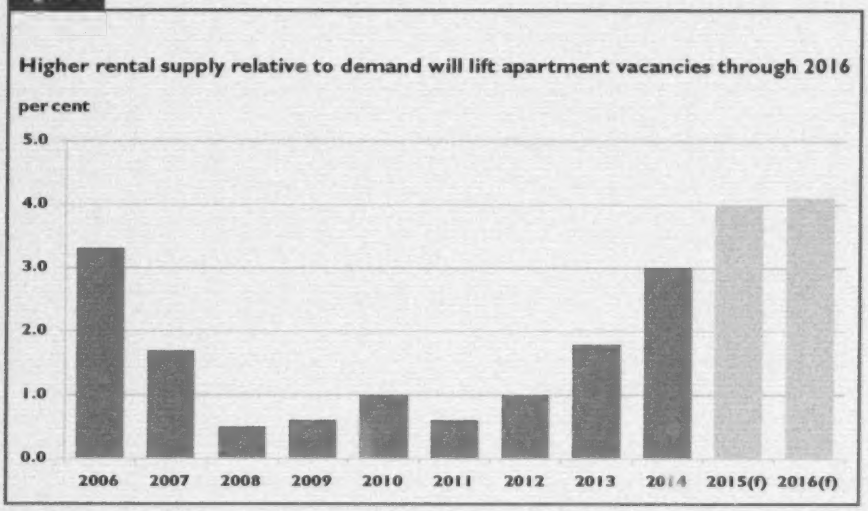
The average apartment vacancy rate in Regina is forecast to rise to four per cent in October 2015 from three per cent in 2014, and edge up slightly to 4.1 per cent in 2016. Demand for rental accommodation in the Regina CMA will ease slightly this year in response to a slower pace of employment growth, particularly among the younger age groups, and lower net migration. At the same time, supply of rental apartments has continued to increase as more newly constructed units enter the

Figure 4



Source: CREA, CMHC Forecast (f)

Figure 5



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

rental universe. Additional supply has come from the provincial HeadStart program, which requires participating builders or developers to earmark up to 25 per cent of approved projects for rental purposes. In 2014, local builders initiated 803 apartments intended for the rental market, in addition to the 730 units that were started in 2013. Thus far in 2015, 110 more apartment units have been started specifically for rental tenure. As more of these units reach completion, they will contribute to slightly higher vacancies in 2015 and 2016.

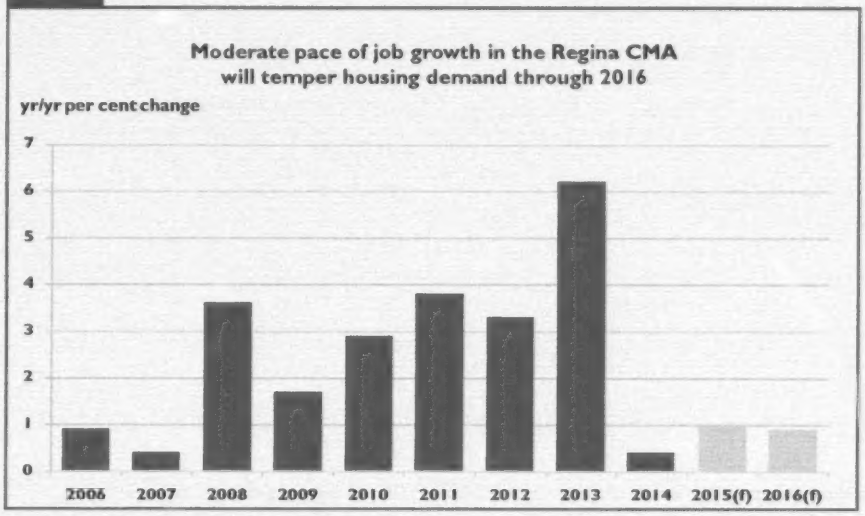
With rental vacancies expected to move higher, apartment rents are forecast to increase modestly over the next two years. Part of the projected increase in average rent takes into account the addition of newly constructed units, which typically command higher rents than existing units with similar specifications. All told, the average monthly rent for a two-bedroom apartment in the Regina CMA is projected to rise to $1,090 in 2015 and to $1,105 in 2016.

Economic trends: Moderate pace of job growth expected through 2016

A diversified local economy will help offset some of the negative effects of lower oil prices on employment growth this year. Following a 0.4 per cent expansion in 2013, employment in Regina is forecast to grow one per cent in 2015 and 0.9 per cent in 2016. This will correspond with an unemployment rate of 4.5 per cent this year and 4.6 per cent next year. Supporting employment growth over the forecast period will be a wide range of public and private sector investments in commercial, infrastructure, residential, recreation and institutional projects. Examples include ongoing construction of the new Mosaic Stadium at Evraz Place, the Taylor Field Redevelopment Project, and the Railyard Renewal Project. These projects will positively impact Regina's labour market beyond the next two years.

To the end of March 2015, there were 1,800 new jobs created in Regina, compared to a gain of 1,300 in the same period of 2014. The addition of full-time positions more than offset the loss in part-time jobs and helped increase the average weekly earnings to $1,038 in the first quarter from $948 in the same period last year. Overall, employment grew the most among individuals in the 25-44 age category, rising 5.3 per cent over the

Figure 6



Source: Statistics Canada, CMHC Forecast (f)

same period one year prior. On the other hand, employment among the 15-24 age group declined 9.1 per cent year-over-year during this period. Given that this age category typically represents renter households, the contraction in job growth will likely result in softer rental demand this year.

With lower oil prices impacting the pace of employment expansion, net migration to the Regina CMA is forecast to moderate to 4,500 in 2015, before edging lower to 4,325 in 2016. The majority of migrants throughout the forecast period will continue to be from international sources. In 2014, Regina attracted a total of 5,110 migrants, up 1.9 per cent from the previous year. Of these net migrants, 4,312 or 84 per cent came from other countries. Nearly 63 per cent of international migrants were aged between 20 and 44 years old, which points to support for rental demand and future home ownership in Regina.

Mortgage Rate Outlook: Mortgage rates are expected to remain at or close to current levels over the forecast horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will remain low by historical standards and supportive of housing demand.
Employment	A slower pace of employment growth will moderate demand for newly constructed homes moving forward.
Income	Growth in average weekly earnings continues to outpace the rate of inflation and should remain supportive of housing demand this year.
Population	Net migration peaked in 2012 and has moved lower since. Despite the moderation expected through 2016, net migration will remain a key support for household formation and housing demand in Regina.
Resale Market	Weaker demand and rising supply will further entrench buyers' market conditions. This will result in a decline in the average resale price in 2015 and compete with new home sales, thus tempering starts.
New Home Inventory	Despite fewer starts, inventory of complete and unabsorbed units remains elevated, which should limit the pace of housing starts through 2016.

Forecast Risks

This outlook is subject to some risks, including:

- A prolonged period of lower oil prices or a further decline in prices from current market levels could result in weaker economic conditions than is forecast. In turn, this would slow employment growth more than is currently projected, leading to a more pronounced reduction in housing demand.
- The outlook assumes new home inventory will be drawn down at a steady pace. Further escalation in new home inventory, combined with a higher than expected increase in resale supply could precipitate a stronger reduction in housing starts.
- A sharper reduction in net migration to Regina than is forecast could lead to a more pronounced reduction in housing demand than the outlook assumes.

Forecast Summary
Regina CMA
Spring 2015

	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	1,289	1,246	707	625	-11.6	600	-4.0
Multiples	1,804	1,876	1,516	1,350	-10.9	1,345	-0.4
Starts - Total	3,093	3,122	2,223	1,975	-11.2	1,945	-1.5
Average Price ($):							
Single-Detached	462,023	491,292	514,165	509,000	-1.0	514,000	1.0
Median Price ($):							
Single-Detached	436,494	452,500	469,900	459,000	-2.3	463,100	0.9
New Housing Price Index (% chg.)	4.4	2.9	1.0	0.5	-	0.9	-
Resale Market							
MLS® Sales	3,952	3,692	3,726	3,500	-6.1	3,535	1.0
MLS® New Listings	6,358	7,142	8,271	8,625	4.3	8,750	1.4
MLS® Active Listings	1,244	1,559	1,992	2,100	5.4	2,200	4.8
MLS® Average Price ($)	301,145	312,355	314,968	304,000	-3.5	307,000	1.0
Rental Market							
October Vacancy Rate (%)	1.0	1.8	3.0	4.0	1.0	4.1	0.1
Two-bedroom Average Rent (October) ($)	979	1,018	1,079	1,090	1.0	1,105	1.4
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	128,200	136,100	136,700	138,067	1.0	139,309	0.9
Employment Growth (%)	3.3	6.2	0.4	1.0	-	0.9	-
Unemployment rate (%)	4.2	3.7	3.7	4.5	-	4.6	-
Net Migration [1]	6,067	5,013	5,110	4,500	-11.9	4,325	-3.9

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of April 20, 2015

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which, have been on the market for at least three months. The survey obtains information from: owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, YouTube and Flickr.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2015 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the creation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or stored or acquired by an organization, its users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on

FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre is expertly primed to provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis** – Future-oriented information about local, regional and national housing trends.
- **Statistics and Data** – Information on current housing market activities – starts, rents, vacancy rates and much more.

HOUSING MARKET INFORMATION PORTAL
The housing data you want, the way you want it
Information in one central location
Neighbourhood level data
Quick and easy access